JOHN F. DAVIS, CLERK

Supreme Court of the United States

OCTOBER TERM, 1968

No. 501

FARBENFABRIKEN BAYER A.G.,
Appellant,

v.

UNITED STATES OF AMERICA,
Appellee.

On Appeal from the United States District Court for the District of Columbia

JURISDICTIONAL STATEMENT

ALLEN F. MAULSBY
1 Chase Manhattan Plaza
New York, N. Y. 10005

ARNOLD M. LERMAN
MAX O. TRUITT, JR.
DANIEL K. MAYERS
900 17th Street, N.W.
Washington, D. C. 20006

Attorneys for Appellant

Of Counsel:

CRAVATH, SWAINE & MOORE
1 Chase Manhattan Plaza
New York, N. Y. 10005

WILMER, CUTLER & PICKERING
900 17th Street, N. W.
Washington, D. C. 20006

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INDEX

	Page
Jurisdictional Statement	1
Opinion Below	2
Jurisdiction	2
Question Presented	4
Statute Involved	4
Statement	5
The Question is Substantial	7
Conclusion	19

CITATIONS

Cases:

Abington Textile Mach. Works v. *Carding Specialists (Canada), Ltd.*, 249 F. Supp. 823 (D.D.C. 1965)	13
Brown Shoe Co. v. *United States*, 370 U.S. 294 (1962)	3
Cascade Natural Gas Corp. v. *El Paso Natural Gas Co.*, 386 U.S. 129 (1967)	9
E. Edelmann & Co. v. *Triple-A Specialty Co.*, 88 F.2d 852 (7th Cir.), *cert. denied*, 300 U.S. 680 (1937)	11
Edward Katzinger Co. v. *Chicago Metallic Mfg. Co.*, 329 U.S. 394 (1947)	11
Etablissements Henry-Le Paute v. *American Greiner Electronics, Inc.*, 172 F. Supp. 228 (D. Conn. 1959)	13
Hanson v. *Denckla*, 357 U.S. 235 (1958)	16
Hess v. *Pawloski*, 274 U.S. 352 (1927)	15
Local 438, Construction Laborers v. *Curry*, 371 U.S. 542 (1963)	3, 4
International Shoe Co. v. *Washington*, 326 U.S. 310 (1945)	15
Japan Gas Lighter Ass'n v. *Ronson Corp.*, 257 F. Supp. 219 (D.N.J. 1966)	13

Page

Mercantile National Bank v. *Langdeau*, 371 U.S. 555 (1963) 3, 4
North Branch Prod., Inc. v. *Fisher*, 179 F. Supp. 843 (D.D.C.), *reversed on other grounds*, 109 U.S.App.D.C. 182, 284 F.2d 611 (1960), *cert. denied*, 365 U.S. 827 (1961) 13, 14, 17
Scandia House Enterprises, Inc. v. *Dam Things Establishment*, 243 F. Supp. 450 (D.D.C. 1965) 13
Sealol Corp. v. *Flexibox Ltd.*, 242 F. Supp. 693 (D.D.C. 1965) 13
Thrifty Shoppers Scrip Co. v. *United States*, 389 U.S. 580 (1968) 9
United States v. *Glaxo Group*, Civil Action No. 558-68, United States District Court for the District of Columbia, *leave to appeal denied*, Misc. No. 3261, United States Court of Appeals for the District of Columbia Circuit (1968) 7, 8
United States v. *Scophony Corp.*, 333 U.S. 795 (1948) 18
Wade v. *Lauder*, 165 U.S. 624 (1897) 13, 17
Webster-Chicago Corp. v. *Holstensson*, 132 F. Supp. 287 (D.D.C. 1955) 13

United States Statutes and Rules:

Sherman Act, Section 1, 26 Stat. 209 (1890), as amended, 15 U.S.C. § 1 ..... 2, 6
Sherman Act, Section 4, 26 Stat. 209 (1890), as amended, 15 U.S.C. § 4 ..... 5, 18
Sherman Act, Section 5, 26 Stat. 210 (1890), 15 U.S.C. § 5 10
Clayton Act, Section 12, 38 Stat. 736 (1914), 15 U.S.C. § 22 18
Expediting Act, Section 2, 62 Stat. 989 (1948), 15 U.S.C. § 29 ..... 3, 4
28 U.S.C. § 1254(1) 3
28 U.S.C. § 1257 4
28 U.S.C. § 1292(b) 3
28 U.S.C. § 1338(a) 8
35 U.S.C. §§ 281-293 ..... 9, 11

Page

35 U.S.C. § 293 ..... *passim*
Rule 1, Fed. R. Civ. P. 3
Rule 54(a), Fed. R. Civ. P. 3

Miscellaneous:

H.R. 7794, 82d Cong., 2d Sess. (1952) 11
H.R. Rep. No. 1923, 82d Cong., 2d Sess. (1952) 11
Hearings before Subcommittee No. 3 of the House Committee on the Judiciary, 82d Cong., 1st Sess. on H.R. 3760 12
2 Moore, Federal Practice, ¶ 4.25[5] 16
S. Rep. No. 1979, 82d Cong., 2d Sess. (1952) 11

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JURISDICTIONAL STATEMENT

Petitioner Farbenfabriken Bayer A.G. ("Bayer") appeals from an order of the United States District Court for the District of Columbia entered on May 10, 1968, as amended by a judgment entered on May 14, 1968, both of which denied the motion of Bayer for dismissal of the complaint on the ground that process and service thereof were insufficient to bring Bayer before the court. Bayer submits this statement to show that this Court has jurisdiction of this appeal and that a substantial question is presented.

OPINION BELOW

The district court did not write an opinion. A copy of the order entered on May 10, 1968 (R. 18),* is annexed hereto as Appendix A. A copy of the judgment of May 14, 1968 (R. 23), amending that order is annexed hereto as Appendix B.

JURISDICTION

This action was brought by the United States to enjoin Bayer and one of its subsidiaries, Chemagro Corporation ("Chemagro"), from continuing certain contracts and practices alleged to violate Section 1 of the Sherman Act, 15 U.S.C. § 1 (R. 1). Process was served by mail upon Bayer at its offices in Leverkusen, West Germany, purportedly under the provisions of 35 U.S.C. § 293 (R. 5).

Before answer, Bayer moved to dismiss the complaint as to it on the ground that 35 U.S.C. § 293 did not authorize the issuance of process against it in this action, and that, therefore, the district court had not acquired personal jurisdiction over it (R. 14). The district court denied the motion by order entered on May 10, 1962. On May 14, 1968, the district court entered a judgment amending that order.**

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* References to "R. ——" are to the certified record of the district court, a copy of which has been filed in this Court.

** The amendment, made at Bayer's request, included findings that the decision involved a controlling question of law as to which there was substantial ground for difference of opinion and that an immediate appeal might materially advance the ultimate termination of the litigation. Relying on the

On June 8, 1968, Bayer filed its notice of appeal to this Court from the judgment of the district court (R. 27). On July 26, 1968, this Court extended to September 11, 1968, the time within which Bayer might docket this appeal.

The jurisdiction of this Court to review the order and judgment of the district court by direct appeal is conferred by Section 2 of the Expediting Act, 15 U.S.C. § 29. The following decisions, among others, of this Court sustain this Court's jurisdiction over this appeal: *Brown Shoe Co.* v. *United States*, 370 U.S. 294 (1962); *Local 438, Construction Laborers* v. *Curry*, 371 U.S. 542 (1963); *Mercantile National Bank* v. *Langdeau*, 371 U.S. 555 (1963).*

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findings in that judgment (see Rule 54(a), Fed. R. Civ. Proc.), Bayer filed a timely application pursuant to 28 U.S.C. § 1292(b) for leave to appeal to the United States Court of Appeals for the District of Columbia Circuit. On June 25, 1968, the Court of Appeals denied leave to appeal.

Because the question presented by the decision of the district court is a substantial federal question of first impression, Bayer is attempting to follow all available appellate remedies. It is, therefore, concurrently with the filing of this jurisdictional statement, filing a petition for certiorari pursuant to 28 U.S.C. § 1254(1) directed to the court of appeals and petitions for writs of common law certiorari directed both to the court of appeals and to the district court.

* In determining whether a lower court judgment is "final" for purposes of appeal under the Expediting Act, this Court has adopted a practical approach designed to achieve a "just, speedy and inexpensive determination of every action" as provided in Rule 1 of the Federal Rules of Civil Procedure. *Brown Shoe Co.* v. *United States*, 370 U.S. 294, 306 (1962). Decisions "finally and erroneously asserting . . . jurisdiction" which are "wholly separate from and independent of the

QUESTION PRESENTED

Section 293 of the Patent Code authorizes service of process upon a patentee not residing in the United States with respect to "proceedings affecting the patent or rights thereunder . . . ." The question presented by this appeal is whether that section permits service of process on a non-resident patentee in an antitrust action brought by the United States which challenges neither the validity nor the patentee's use of the patent, and where, on the other hand, the complaint affirmatively states that the conduct complained of is not covered by the patent.

STATUTE INVOLVED

The statute involved is 35 U.S.C. § 293, which provides as follows:

> "Every patentee not residing in the United States may file in the Patent Office a written designation stating the name and address of a person residing within the United States on whom may be served process or notice of proceedings affecting the patent or rights thereunder. If the person designated cannot be found at the address given in the last designation, or if no person has been designated, the United States

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merits . . ." of a case are "final" within the meaning of 28 U.S.C. § 1257, *Local 438, Construction Laborers* v. *Curry*, 371 U.S. 542, 548 (1963), and should be considered "final" for purposes of the Expediting Act. See also *Mercantile National Bank* v. *Langdeau*, 371 U.S. 555, 558 (1963) holding "final" under Section 1257 a venue decision because it was a "separate and independent matter anterior to the merits . . ." of the case.

District Court for the District of Columbia shall have jurisdiction and summons shall be served by publication or otherwise as the court directs. The court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court."

STATEMENT

This suit concerns a novel and unprecedented attempt by the Department of Justice to commence an antitrust action in the District of Columbia against a foreign corporation not found within the jurisdiction by serving process under a little used provision of the Patent Code.

This is a civil antitrust action brought by the United States pursuant to Section 4 of the Sherman Act. There are two named defendants—Bayer and Chemagro. Bayer is a West German corporation (R. 1). It is not found within, it does not transact business within, and it is not licensed to transact business within the District of Columbia. Chemagro is a New York corporation with its principal place of business in Kansas City, Missouri. (R. 1, ¶ 4).*

Bayer is the owner of United States Patent No. 2,759,010 (the "Bayer patent"). The Bayer patent covers the manufacture of a chemical compound known as diethyl, a highly toxic substance used in the manufacture of certain insecticides. Bayer has

* Although Chemagro is a wholly owned subsidiary of Bayer, this fact does not appear germane to the Government's attempt to serve Bayer with process under Section 293.

granted Chemagro an exclusive license under the Bayer patent to make, use and sell diethyl within the United States (R. 1).

The complaint alleges that Chemagro has entered into contracts under which it agrees to sell diethyl and to grant the purchaser a limited license under the patent to use or resell diethyl only in certain restricted ways. Those agreements between Chemagro and its customers are alleged to violate Section 1 of the Sherman Act.

The complaint does not allege that Bayer has entered into any such contracts or licensing agreements. Rather, in paragraph 10 it alleges that Bayer has "combined" with Chemagro and "participated" in Chemagro's violation by (1) granting Chemagro an exclusive license, (2) deriving revenue from Chemagro's contracts, and (3) its control of Chemagro. However, by alleging that Bayer has granted Chemagro an exclusive license * under the Bayer patent the Government appears to acknowledge that Bayer has no rights in the United States under its patent. Moreover, the complaint avers that the conduct the Government complains of is not within the scope of the patent—indeed, it avers that the patent does not even "purport" to cover that conduct (R. 1, ¶ 7).

Process was served by mail upon Bayer at its offices in Leverkusen, West Germany, purportedly under the

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* It is undisputed that Chemagro has the exclusive right to make, use and sell diethyl in the United States, that Bayer does not make, use or sell diethyl in the United States, and that Chemagro exercises responsibility for the marketing of diethyl in the United States (R. 14, Ex. A).

provisions of 35 U.S.C. § 293, which authorizes service upon foreign patent owners only in proceedings "affecting the patent or rights thereunder." Since the complaint alleged that Bayer's patent neither covered nor purported to cover the allegedly illegal conduct and, in any event, since Bayer had no rights under the patent, Bayer moved to dismiss the complaint as to it on the ground that Section 293 did not authorize the issuance of process against it in this action (R. 14). And, since Bayer was not in any way "present" within the District of Columbia, it urged that the district court had no other basis for asserting *in personam* jurisdiction over it. It is the denial of that motion to dismiss which Bayer brings before this Court.

THE QUESTION IS SUBSTANTIAL

In denying appellant's motion to dismiss, the district court decided a novel and substantial federal question of first impression. For the first time since its enactment in 1952, a little used section of the Patent Code, intended to enable process in suits "affecting" United States patents or "rights thereunder" to reach non-resident patent owners, has been used as the sole basis for asserting personal jurisdiction over a foreign corporation in an action not arising under the patent laws.* Such an interpretation is wholly at

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* This case is actually one of two antitrust actions of which we are aware that have been commenced by service under Section 293. See *United States* v. *Glaxo Group*, Civil Action No. 558-68, United States District Court for the District of Columbia, *leave to appeal denied*, Misc. No. 3261, United States Court of Appeals for the District of Columbia Circuit

odds with Congress' clear intent in enacting a provision for serving process in patent actions. If the decision is permitted to stand, Section 293 will have undergone an instant expansion whereby process can be served on any foreign patentee in any Government antitrust case in which there can be made any colorable allegation that a patent is in any way involved.

If this provision of the Patent Code is now to be used by the Government in antitrust cases to bring foreign defendants not otherwise amenable to process within the district court's jurisdiction, that issue ought to be decided by this Court and not by a single judge in an order unaccompanied by explanation or written opinion.

Not only is the district court's decision novel and unprecedented, it is also inconsistent with the legislative history of the section, and contrary to the cases heretofore decided under it. Moreover, it constitutes an unwarranted and unauthorized expansion of the antitrust jurisdiction of United States courts over persons not "present" within the United States. Finally, the construction of Section 293 adopted by the district court raises serious constitutional questions.

This case does not arise under any Act of Congress relating to patents; * the complaint does not allege in-

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(1968). In *Glaxo*, however, the Government challenged the validity of one of the patents involved and, as part of the relief, sought a declaration of the patent's invalidity. Thus *Glaxo* does not raise the same issues with regard to the application of Section 293 as are present in this case.

* District courts have jurisdiction of such cases under 28 U.S.C. § 1338(a).

fringement, interference, or any other cause of action under the patent laws.* There is neither any allegation nor any relief sought "affecting the patent." And, the admission in the complaint that the patent does not purport to cover the conduct complained of makes clear that the proceeding does not even affect Bayer's "rights thereunder."

Considerations of both justice and efficiency require that the judgment of the district court, denying Bayer's motion to dismiss for lack of personal jurisdiction, be reviewed at this time.** Surely Bayer should not be required to produce documents, engage in costly pretrial preparation, and suffer the vicissitudes of protracted litigation if it is correct in its claim that the district court lacks jurisdiction. And it seems equally clear that the efficiency of the judicial process is not enhanced by requiring an already beleaguered district court to go through the time-consuming process of a full-scale antitrust trial when it may well be that the whole proceeding will go for

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* 35 U.S.C. §§ 281-93.

** It is not unusual for this Court to hear, in such circumstances, questions that determine whether persons should be parties to Government antitrust suits before the action has gone its full course to final judgment. For example, this Court took jurisdiction to determine whether a would-be intervenor should be allowed to participate in an antitrust suit before the trial court had completed its action. *Cascade Natural Gas Corp.* v. *El Paso Natural Gas Co.*, 386 U.S. 129 (1967). See also *Thrifty Shoppers Scrip Co.* v. *United States*, 389 U.S. 580 (1968), affirming a district court denial of leave to intervene in a Government antitrust action.

naught because of the court's initial lack of jurisdiction over Bayer.*

1. Section 293 was enacted in 1952 as part of the general revision and codification of the patent laws. Both its legislative history and the reported decisions interpreting it demonstrated beyond serious question that the section was intended to create a method theretofore unavailable for serving process upon non-resident patentees only in actions arising under the patent laws.

Every aspect of the statute indicates that it was intended to relate only to the patent laws. The section is part of the Patent Code; if it had been intended by Congress to be a general jurisdictional statute,

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* Because of the presence of Chemagro in this litigation, the use by the Government of Section 293 to serve process on Bayer causes additional distortion of the judicial process. Only the United States District Court for the District of Columbia could issue process in this case against Bayer under Section 293, and, therefore, suit could be brought against Bayer only in that District. Because of the pendency of the action in the district court, the Government was then permitted to service process upon Chemagro in Kansas City under the provisions of Section 5 of the Sherman Act. If Bayer were not a party to the litigation, Chemagro could not be sued in the District of Columbia because it has no connection with this District, and the venue of this action would probably be in Kansas City, Chemagro's principal place of business. Thus, the domestic corporation, which is the exclusive licensee, is forced to defend itself 1,500 miles from its principal place of business; and both it and Bayer are compelled to litigate in a forum which has no conceivable connection with either. Moreover, if Bayer is correct that it was not subject to service of process under Section 293, then Chemagro cannot validly be tried in the District of Columbia and any proceeding here would be useless.

it presumably would have been located in the Judicial Code, Title 28. Moreover, Section 293 is the last section of Chapter 29, a chapter devoted to "Remedies for Infringement of Patent and Other Actions," and consisting of Sections 281 through 293. Thus, it seems obvious that the section should be construed in the context of that chapter, all of which relates to actions under the patent laws.

The legislative history reaffirms this obvious construction. The Senate Report on the bill (H.R. 7794, 82nd Cong., 2nd Sess. (1952)) opened its discussion of Chapter 29 with the following explanation:

> "Beginning with 281 is a group of sections relating to remedy for infringement of a patent, the suit in the courts." S. Rep. No. 1979, 82nd Cong., 2nd Sess. (1952), p. 8. See also H.R. Rep. No. 1923, 82nd Cong., 2nd Sess. (1952) p. 10.

The report goes on to describe Section 293 as:

> "a new section that is needed on some occasions to obtain jurisdiction over foreign patent owners that do not reside in the United States." *Id.* at 9. See also H.R. Rep. No. 1923, *supra*, p. 10.

The hearings bear out those statements in the report. The most common causes of action arising under the patent laws brought against patent owners are suits for declaration of non-infringement or invalidity. Such suits without question are within the jurisdiction of district courts since they "arise under" acts of Congress relating to patents. See, *e.g.*, *Edward Katzinger Co.* v. *Chicago Metallic Mfg. Co.*, 329 U.S. 394 (1947); *E. Edelmann & Co.* v. *Triple-A*

Specialty Co., 88 F.2d 852, 854 (7th Cir.), *cert. denied*, 300 U.S. 680 (1937). It was precisely that type of action to which the Executive Branch wished the substituted-service provision of Section 293 to apply. In commenting upon a provision of H.R. 3760 that was identical with the present Section 293, the State Department noted its understanding:

> "that this provision has been added for the benefit of American residents desiring to bring action against foreign owners of United States patents. At the present time American manufacturers threatened by charges of infringement of United States patents by persons resident abroad are especially handicapped by the inability to bring suit for declaratory judgment." Hearings before Subcommittee No. 3 of the House Committee on the Judiciary, 82nd Cong., 1st Sess. on H.R. 3760, p. 91.

The Department of Justice confirmed this view of the statute. *Id.* at 98.

Thus, the legislative history underscores the plain meaning of the language of the section: the section is applicable only to actions under the patent laws—those for declaratory judgments for infringement or invalidity. There is no suggestion anywhere in the history that the section authorizes service upon nonresident patent owners in tax cases, or food and drug act cases, or antitrust cases, or, indeed, any cases merely because the income, product or business involved derives from a patent. It authorizes service only in cases that arise under the patent laws.

2. We have found no reported decision in which Section 293 was used as a basis for service of process except cases under the patent laws.* The judgment of the district court thus rests on an interpretation of Section 293 that is inconsistent not only with the legislative history of the section but with its prior judicial construction. In *North Branch Prod., Inc.* v. *Fisher*, 179 F. Supp. 843 (D.D.C.), *reversed on other grounds*, 109 U.S. App. D.C. 182, 284 F.2d 611 (1960), *cert. denied*, 365 U.S. 827 (1961), the district court below limited the application of the statute to cases "under the patent laws." Plaintiff there was a Michigan corporation that had sued a non-resident patentee for a declaratory judgment adjudicating that certain patents and patent applications were owned by it and not by the defendant. Such a case, founded in contract and not in patent rights created by Congress, does not "arise under" the patent laws. See *Wade* v. *Lawder*, 165 U.S. 624 (1897). The defendant had been served by publication pursuant to Section 293. It moved to quash such service and to dismiss the action for lack of subject-matter jurisdiction. The district court, although finding that the defend-

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* See *Abington Textile Mach. Works* v. *Carding Specialists (Canada), Ltd.*, 249 F. Supp. 823, 827 (D.D.C. 1965); *Scandia House Enterprises, Inc.* v. *Dam Things Establishment*, 243 F. Supp. 450, 451 (D.D.C. 1965); *Sealol Corp.* v. *Flexibox Ltd.*, 242 F. Supp. 693, 694 (D.D.C. 1965); *Etablissements Henry-Le Paute* v. *American Greiner Electronics, Inc.*, 172 F. Supp. 228, 229 (D. Conn. 1959); and *Webster-Chicago Corp.* v. *Holstensson*, 132 F. Supp. 287 (D.D.C. 1955). *Cf. Japan Gas Lighter Ass'n* v. *Ronson Corp.*, 257 F. Supp. 219 (D.N.J. 1966).

ant had submitted to the jurisdiction of the court by asserting a counterclaim, observed that:

> ". . . the phrase 'proceedings affecting the patent or rights thereunder' contained in 35 U.S.C. § 293, should be construed as synonymous with 'actions under the patent laws of the United States' and, therefore, should be limited and restricted to actions for infringement of patents and actions for declaratory judgments to adjudicate the validity or infringement of patents." 179 F. Supp. at 845-46.

Petitioner submits that *North Branch* represents a correct resolution of the question and that the decision below is erroneous.

3. Clearly Section 293 was not intended to subject foreign patent owners to the general personal jurisdiction of United States courts. By its terms, the statute is limited to actions "affecting the patent or rights thereunder." Nonetheless, the position of the Government, adopted by the court below, expands the section's coverage to such an extent that any connection between a patent and a cause of action—however remote—may be sufficient to bring a foreign patent owner within the jurisdiction of the District Court for the District of Columbia. Such an interpretation not only ignores clear language and plain Congressional purpose, it also raises serious constitutional doubts as to whether such a broad jurisdictional claim squares with that process due litigants under the Fifth Amendment.

The only "act" which connects Bayer in any way with the District of Columbia is its ownership of a

United States patent. In this case, the validity of that patent is not challenged; nor is the validity of the exclusive license to Chemagro (representing the "rights thereunder") brought into question by the complaint. Indeed, the complaint itself asserts that the very conduct alleged to violate the antitrust laws is not within the scope of the patent—that such conduct by Chemagro is not an exercise of any right of Bayer "under" the patent. To subject Bayer to the jurisdiction of the court in these circumstances clearly offends those "traditional notions of fair play and substantial justice" which the Fifth Amendment guarantees to litigants. *International Shoe Co.* v. *Washington*, 326 U.S. 310, 316 (1945).

Except in a limited class of cases, the Due Process clause prohibits a court from exercising personal jurisdiction over a non-resident not having "minimal contacts" with the jurisdiction. The exception involves the conditioning of some right on an implied agreement that the person receiving the benefit will be amenable to service in cases arising directly out of the exercise of the right or the receipt of the benefit. Thus a non-resident motorist will be subject to an in personam action which arises as a result of his use of an automobile on the streets of a foreign jurisdiction.* *See, e.g., Hess* v. *Pawloski*, 274 U.S. 352 (1927).

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* However, the fact that he once drove on the streets will not subject him to the jurisdiction of the courts in unrelated actions, for example, contract actions.

There is no allegation of the complaint that Bayer is "found" within the District of Columbia, or that it has offices there, employs salesmen, takes orders, transacts business, or otherwise has *any* contact with the District of Columbia.

Thus, the assertion of jurisdiction must be based on the theory that Bayer, by owning a United States patent, has availed itself of certain benefits of United States law and has, in return therefor, impliedly agreed to subject itself to jurisdiction in suits arising from such benefits. But, as this Court has made clear, where the defendant is not found within the jurisdiction the connection between the alleged benefit and the act complained of must be apparent. As was true in *Hanson* v. *Denckla*, 357 U.S. 235, 252 (1958), the present "suit cannot be said to be one to enforce an obligation that arose from a privilege that the defendant exercised" within the jurisdiction.*

The unwarranted jurisdictional expansion accomplished by the court below in effect makes foreign patent holders—doing no business in the United States—subject to suit for all sorts of actions not challenging the validity of their patents or their rights thereunder. It seems highly unlikely that Congress, in enacting a simple service of process section for suits

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* Professor Moore puts it this way:

"If there is a minimum of contacts and the cause of action does not arise out of the contacts, there will normally be no basis of jurisdiction, since it is difficult to establish the factors necessary to meet the fair and reasonable test." 2 Moore, Federal Practice, ¶ 4.25[5], p. 1173.

arising under the patent laws, intended such far-reaching results which push at the very limits of due process. Rather, the constitutional obstacles to such a broad assertion of jurisdiction reinforce the obvious and plain construction of the statute: that the phrase "affecting the patent or rights thereunder" was intended by Congress to define those actions arising under the patent laws, of which Section 293 is itself a part.

4. In ascertaining the meaning and scope of Section 293, the Court must, of course, reject any construction that reaches an unconstitutional result. The interpretation of the court below, however, raises a second issue of constitutional dimension that was recognized by the district court in *North Branch*.

It is clear that not all actions which may affect patents or rights thereunder are within the judicial power conferred by Article III of the Constitution upon the federal courts. For example, a contoversy over a contract assigning a patent does not "arise under" federal law and, absent some independent basis of federal jurisdiction, such as diversity, cannot be maintained in a federal court. *See, e.g., Wade* v. *Lawder*, 165 U.S. 624 (1897).

In enacting Section 293 Congress surely intended to stay within the boundaries of Article III. Therefore, it must have intended the words "affecting the patent or rights thereunder" to mean "arising under the patent laws." That was the conclusion reached in *North Branch*. Any contrary construction would, in some cases, purport to confer subject matter jurisdiction

beyond that authorized by Article III and would be plainly invalid.

That construction, of course, must prevail even in a case where, like this one, there is an independent ground of subject matter jurisdiction. The mere happenstance that federal jurisdiction exists in this case by virtue of the Sherman Act * is irrelevant in interpreting the scope that Congress intended for Section 293. Congress plainly did not enact Section 293 as an ancillary provision to the antitrust laws; rather, it intended it as an aid to enforcement of patent rights. Since any interpretation of "affecting the patent or rights thereunder" broader than "arising under the patent laws" would raise obvious Constitutional issues in cases where no independent basis of federal jurisdiction exists, this strict interpretation of the language must control in gauging Congress' intent. And since it is beyond dispute that this case does not "arise under" the patent laws, the use of the substituted service provided for in Section 293 was invalid.

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* Of course, if Bayer were in some way "present" or "found" within the District of Columbia, the Clayton Act itself would provide a basis for serving process and asserting personal jurisdiction over Bayer. Section 12 of the Clayton Act, 15 U.S.C. § 22, provides that venue of an action brought under Section 4 of the Sherman Act may be laid wherever the defendant corporation is "found or transacts business," and that process may be served wherever such a defendant is "found". Section 12 permits foreign corporations, such as Bayer, to be brought personally before United States courts if and only if they have sufficient contacts within the United States to be "present" or "found" within a district. See, *e.g.*, *United States* v. *Scophony Corp.*, 333 U.S. 795 (1948).

CONCLUSION

This case involves a substantial federal question of first impression raising serious constitutional questions and important and substantial issues of statutory construction. For the reasons stated, this Court should note probable jurisdiction.

Respectfully submitted,

ALLEN F. MAULSBY
1 Chase Manhattan Plaza
New York, N. Y. 10005

ARNOLD M. LERMAN
MAX O. TRUITT, JR.
DANIEL K. MAYERS
900 17th Street, N.W.
Washington, D. C. 20006

Attorneys for Appellant

Of Counsel:

CRAVATH, SWAINE & MOORE
1 Chase Manhattan Plaza
New York, N. Y. 10005

WILMER, CUTLER & PICKERING
900 17th Street, N. W.
Washington, D. C. 20006

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